

COVER SHEET

C E 0 2 5 3 6

S.E.C. Registration Number

A B O I T I Z E Q U I T Y V E N T U R E S , I N C .

(Company's Full Name)

A B O I T I Z C O R P O R A T E C E N T E R
 G O V . M A N U E L C U E N C O A V E .
 K A S A M B A G A N , C E B U C I T Y

(Business Address: No. Street City / Town / Province)

CATHERINE R. ATAY

Contact Person

(032) 411-1800

Company Telephone Number

Current Report

1 2 3 1

Month Day

Fiscal Year

1 7 - C

FORM TYPE

0 5 1 6

Month Day

Annual Meeting

[]

Secondary License Type, if Applicable

S E C

Dept. Requiring this Doc

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Amended Articles Number/Section

10,425

Total No. of Stockholders

x

Domestic

[]

Foreign

To be accomplished by SEC Personnel concerned

[]

File Number

LCU

[]

Document I.D.

Cashier

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SECURITIES & EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE (SRC)
AND SRC RULE 17.2(c) THEREUNDER

1. **March 2, 2012**
Date of Report (Date of earliest event reported)
2. SEC Identification Number **CE02536** 3. BIR TIN **003-828-269-V**
4. **ABOITIZ EQUITY VENTURES, INC.**
Exact name of registrant as specified in its charter
5. **Cebu City, Philippines** 6. 
Province, country or other jurisdiction of incorporation Industry Classification Code
7. **Gov. Manuel A. Cuenco Ave., Kasambagan, Cebu City** **6000**
Address of principal office Postal Code
8. **(032) 411-1800**
Registrant's telephone number, including area code
9. **N.A.**
Former name or former address, if changed since last report
10. Securities registered pursuant to Sections 4 and 8 of the RSA
- | Title of Each Class | Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding (as of September 30, 2011) |
|-----------------------------------|--|
| Common Stock P1 Par Value | 5,521,871,821 |
| Amount of Debt Outstanding | P 105,771,013,918 |
11. Indicate the item numbers reported herein: 9

Item 9: Other Events

Aboitiz Equity Ventures, Inc. (AEV or the Company) ended the fourth quarter of 2011 with a consolidated net income of P5.1 billion (bn), recording an increase of 2% year-on-year (YoY). Out of the total earnings contributions from the Company's strategic business units (SBU), Power accounted for 79%. Income share of the Banking and Food SBUs were at 15% and 6%, respectively.

For the three-month period in review, the Company recorded one-off losses of P157 million (mn), vis-à-vis last year's P379 mn. The revaluation of consolidated dollar-denominated loans and placements resulted to a non-recurring loss of P94 mn for the quarter. In addition, an associate company of its Power SBU incurred a P26 mn gain as costs relating to its fuel importation were recovered during the period. The pretermination of loans by AEV and its Power SBU resulted to one-time fees of P89 mn. Adjusting for all these non-recurring items, AEV closed the quarter with a 2% YoY decline in core net income, from P5.4 bn to P5.3 bn.

On a full year basis, AEV ended 2011 with a consolidated net income of P21.2 bn, recording a decline of 3% YoY. This translates to P3.84 in earnings per share. Power remained to account for the lion's share at 78%, which was followed by the Banking and Food SBUs with income contributions of 16% and 6%, respectively.

For the year 2011, the Company incurred a non-recurring gain of P366 mn (versus last year's P30 mn), which is comprised of the following: (1) a net loss of P123 mn due to the revaluation of consolidated dollar-denominated loans and placements; (2) a P266 mn gain given a power subsidiary's revenue adjustment that resulted from a favorable ruling by the industry regulator involving its ancillary services tariff structure; (3) a P163 mn gain as a power associate company recovered costs relating to its fuel importation; (4) a P149 mn gain consequent to a reversal of an accrued expense relating to a power subsidiary's IPPA contract; and (5) an P89 mn one-time fee relating to loan preterminations. Accounting for these one-off's, AEV's core earnings for 2011 was at P20.8 bn, lower by 5% YoY.

Strategic Business Units – Full Year 2011 Performance

Power

Aboitiz Power Corporation (AboitizPower) ended the year in review with an income contribution of P16.5 bn, vis-a-vis last year's P19.1 bn. When adjusted for non-recurring items, the Power SBU recorded a 14% YoY reduction in its earnings share, from P18.7 bn to P16.1 bn.

In 2011, the power generation business contributed earnings of P15.6 bn, recording a 16% YoY drop. The decline in the group's bottomline performance was due to the lower average selling price and net generation recorded for the period.

As a group, AboitizPower's generation business logged a 7% drop in average selling prices, given the softening of the spot market prices at the Wholesale Electricity Spot Market (WESM). Both demand and supply conditions that prevailed during the year were responsible for the recorded 41% YoY decline in the average price of electricity in the WESM's Luzon spot market. Demand for electricity was relatively flat versus last year. Supply, in the meantime, showed marked improvements as average outage levels for Luzon-based powerplants declined vis-à-vis 2010 levels. The adverse impact on earnings, however, was tempered by AboitizPower's strategic move of lowering its exposure to the spot market with the group's increased contracted capacity. AboitizPower's net generation for the year registered a 3% YoY decline, from 9,762 GWh to 9,422 GWh. The drop in energy sales was mainly accounted for by the reduced spot market transactions brought about by the low prices that prevailed in the WESM.

The YoY increase in fuel costs resulted to a margin squeeze for Therma Luzon, Inc. (TLI), a wholly owned subsidiary of AboitizPower. Terms of its existing bilateral contracts do not allow TLI to cover for the increase in its fuel cost, which was mainly driven by the unfavorable global supply situation in 2011. Moreover, costs incurred by TLI relating to an unplanned shutdown in the last quarter of the year further weighed down TLI's profit contribution in 2011.

The ancillary services provided by AboitizPower's merchant hydro assets grew significantly over last year. With the elevated water levels vis-à-vis 2010, the capability of both Magat and Binga to offer ancillary services was significantly enhanced. The year saw a higher level of accepted capacities by the National Grid Corporation of the Philippines. The combined income contribution of these assets recorded an 84% YoY expansion for the year.

As of end-2011, AboitizPower's attributable capacity was at 2,350 MW, posting a 15% YoY increase. The expansion was due to the following: assumption of full ownership of and control over the 70-MW Bakun hydro run-of-river plant in May 2011, acquisition of the 242-MW Navotas power barges in May 2011, the full completion of the rehabilitation of the Ambuklao hydropower facility in September 2011, the completion of the 4-MW Irian hydropower Greenfield project in September 2011, and the partial completion of the rehabilitation works at the Binga hydropower facility.

Improved volumes and margin expansions resulted to a 24% YoY increase in the power distribution group's income contribution for the year 2011, from P1.5 bn to P1.8 bn. AboitizPower's attributable electricity sales grew by 3% YoY, from 3,606 GWh to 3,727 GWh. Growth was mainly a result of the increased electricity sales to the industrial customer segment, which recorded a 6% YoY increase. The group's gross margin for the period in review improved by 15% YoY to P1.44/kWh, which was partly due to the favorable effect of the implementation of the approved distribution tariffs (under the Performance Based Regulation scheme) of some of AboitizPower's distribution utilities. Moreover, Davao Light & Power Company recorded a reduction in operating expenses as operation of its back-up power plant was not required during the year in review.

Financial Services

The Banking SBU's income contribution for the year 2011 recorded a 31% YoY improvement, from P2.6 bn to P3.4 bn.

Union Bank of the Philippines (UnionBank) ended the period with an earnings contribution of P2.9 bn, up by 26% YoY.

UnionBank's total interest income in 2011 was flat at P11.8 bn as the expansion of average earning assets offset the decline in average asset yields. Interest earnings on loans and other receivables recorded an 8% YoY increase. Said growth, however, was countered by a decline in the bank's interest income on trading and investment securities, as the lower average yields neutralized the expansion in UnionBank's securities portfolio. Higher impairment losses booked for the year in review resulted to a 17% YoY drop in the bank's net interest income after impairment losses.

Non-interest income for the period improved to P9.6 bn, up by 56% from last year's P6.1 bn, as the bank continued to take profit in its securities position. Higher premium revenues, likewise, contributed to the significant increase in non-interest income resulting from higher sales of its subsidiary's pre-need plans. The corresponding trust fund contributions on these plans, and higher salaries and employee benefits in support of the bank's business expansion, drove operating expenses to increase by 26% YoY.

UnionBank's asset base stood at P270.2 bn as of year-end, with a deposit base of P204.2 bn and a loan book of P105.2 bn. The bank's capital adequacy ratio strengthened to 18.2% as of end-2011 from last year's 17%, notwithstanding the exercise of the call option on P1.3 bn of unsecured subordinated debt in September 2011.

AEV's non-listed thrift bank, City Savings Bank, Inc. (CitySavings), contributed earnings of P531 mn during the year in review, up 69% YoY. The higher earnings contribution could be attributed to the increased ownership stake in CitySavings, coupled with the 7% YoY improvement in the bank's bottomline performance. In 2011, CitySavings recorded a 29% YoY expansion in its net interest income. This

was mainly brought on by a 33% YoY increase in its interest income on loans and service fees. This robust growth, however, was tempered by a 36% YoY rise in operating expenses that resulted from the implementation of the bank's expansion program and its various initiatives during the year. CitySavings ended the year with a total loan book of ₱9.9 bn, up 52% YoY. Total resources as of year-end was close to ₱13 bn, recording a 44% YoY increase. The bank's NPL ratio as of end-2011 was less than 1% while its NPL coverage ratio was at 195%. Total capital funds amounted to ₱1.8 bn with a capital adequacy ratio of 16.8%.

Food

The 2011 income contribution from AEV's Food SBU, Pilmico Foods Corporation (Pilmico), recorded a 19% YoY decline, from ₱1.5 bn to ₱1.2 bn. Topline expansion of 14% was due to volume increases recorded by the feeds and swine operating divisions, coupled with higher average selling prices (ASP) booked by the flour and feeds units. However, higher input costs weighed down the profitability of the flour and swine segments, as income contributions posted YoY declines of 36% and 75%, respectively. It was only the bottomline performance of the feeds unit that recorded a positive growth rate of 14% YoY, as higher ASP cushioned the rise in raw material costs.

Financial Condition

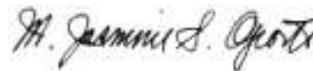
For the year ending December 31, 2011, the Company's consolidated assets amounted to ₱201.7 bn, up by 15% from year-end 2010 level. Cash and cash equivalents was at ₱29.5 bn, 13% higher than year-end 2010 level of ₱26.1 bn. Consolidated liabilities amounted to ₱106.4 bn, while Equity Attributable to Equity Holders of the Parent increased by 20% to ₱77.4 bn. Current ratio as of year-end 2011 was at 2.9x (versus year-end 2010's 2.4x), while net debt-to-equity ratio was at 0.6x (versus year-end 2010's 0.7x).

SIGNATURE (S)

Pursuant to the requirements of the Securities Regulation Code, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

ABOITIZ EQUITY VENTURES, INC.

By



M. JASMINE S. OPORTO

Corporate Secretary

Dated: March 2, 2012